

Cross Timbers Business Report

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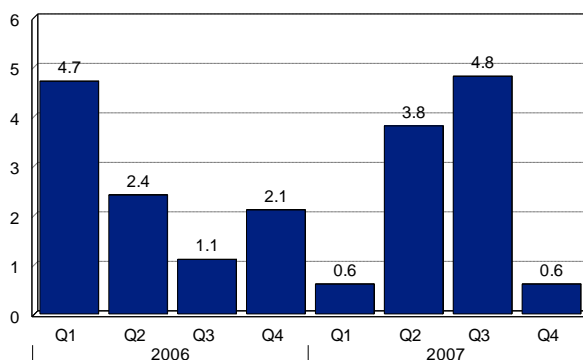
GROWTH RATE PLUMMETS

By Nidhi Gupta

The fourth quarter of 2007 posted a significant decline in the expansion of real Gross Domestic Product (GDP), the nation's official measure of economic growth. Last period's 0.6 percent growth rate marks a sharp drop from the 4.8 percent growth witnessed during the third quarter, according to the latest report by the U.S. Department of Commerce.

Changes in Real GDP

Annual Percentage Rates



Source: Bureau of Economic Analysis, U. S. Department of Commerce

This deceleration primarily reflects a downturn in inventory and residential investment and slowdowns in PCE (personal consumption expenditures), and in federal government spending. These weaknesses were partly

offset by a deceleration in imports and acceleration in state and local government spending.

PCE increased 2.0 percent in the fourth quarter, compared to an increase of 2.8 percent in the third. Durable goods purchases rose 4.2 percent in the fourth quarter, after increasing by 0.3 percent July through September. Nondurable goods consumption increased 1.9 percent, compared to an increase of 2.2 percent in the third quarter.

Real gross domestic purchases – purchases by the U.S. residents of goods and services wherever produced – increased 0.2 percent in the fourth quarter, compared to an increase of 3.3 percent in the third. International trade contributed 0.41 percentage point to GDP in the fourth quarter. Exports increased 3.9 percent while imports increased by only 0.3 percent. Federal government spending increased 0.3 percent, after rising by 7.1 in the third quarter.

The price index for PCE rose by 3.9 percent after increasing by 1.8 percent in the third quarter. Also, the price index for gross domestic purchases, which measures prices paid by the U.S. residents, rose 3.8 percent after increasing 1.8 percent in the third quarter.

The Department of Commerce collects and reports GDP data on a quarterly basis. Two revisions will be made before a final estimate is posted.

Nidhi Gupta is pursuing a Master of Business Administration degree at Tarleton State University.

Consumer Prices Increase in Fourth Quarter

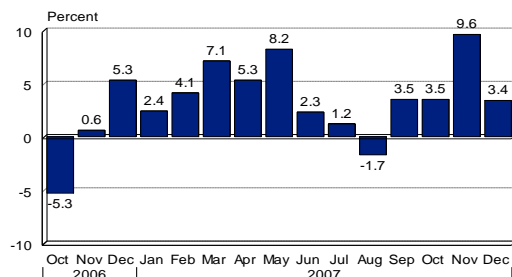
By Mary Sheehan

Consumer prices in the fourth quarter of 2007 were significantly higher than 2006. Major contributors to last

year's inflation were food and beverages, medical care and energy.

INFLATION RATES

(Annual Changes in Consumer Prices)



Source: Bureau of Labor Statistics

The CPI (Consumer Price Index) stood at 211.2 at the end of 2007 for all items (base year 1982-1984). This value indicates a 4.1 percent price increase compared to December 2006. This figure also marks the highest inflation rate this decade.

On a seasonally adjusted basis, the index for all items less food and energy advanced 0.2 percent in December, following a 0.3 percent increase in November. The food and beverages index increased by 4.8 percent in December 2007, compared to 2.2 percent in December 2006. The medical care index rose 5.2 percent in December 2007, its largest annual advance since a 5.4 percent increase in 1993. The index for

energy advanced 0.9 percent and accounted for about one-third of the overall CPI increase in December.

According to the Wall Street Journal, retail sales declined in December, which caused 2008 to start on a “very weak trajectory”. Consumer prices during 2007 rose at their fastest rate since 1990.

Consumer price index figures are published monthly by the Bureau of Labor Statistics; the CPI is the nation’s most commonly cited inflation measure.

Mary Sheehan is pursuing an MBA degree at Tarleton State University with a concentration in finance.

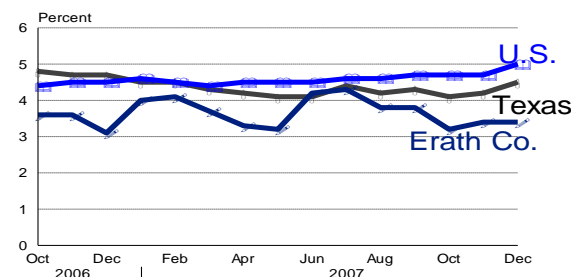
Unemployment Data Reveal Weaker Job Markets

By Cindy Pierce

The last quarter of 2007 showed increasing unemployment rates for both Texas and the United States. Erath County also showed a slight increase from October to December.

The U.S. jobless rate increased from 4.7 percent in October to 5.0 percent in December, this rate is the highest it has been since 2005. This figure is above the 4.8 percent unemployment rate predicted in a Dow Jones Newswire survey, according to Tom Barkley at the *Wall Street Journal*. Texas’ rate rose from 4.1 percent in October to 4.5 percent in December.

UNEMPLOYMENT RATES



Source: U.S. Bureau of Labor Statistics and Texas Workforce Commission

For all of last year, the U.S. unemployment rate averaged 4.6 percent. This value is the same as the figure posted the year before. Texas’ 2007 unemployment rate averaged 4.3 percent, which marks a significant improvement from the 4.9 percent statistic registered in 2006.

Erath County reported an average unemployment rate of 3.7 percent last year, which lies slightly below the 3.9 percent rate for the previous year.

Elsewhere in the Cross Timbers area, Comanche County’s unemployment rate was 3.7 percent in October, rose slightly in November to 3.9 percent, and returned to 3.7 percent in December. The area’s 4.1 percent rate for all of last year is significantly lower than the 4.7 percent figure posted the year before.

Hamilton County’s jobless rate increased from 3.3 percent in October to 3.7 percent in December. Last year’s figure of 3.8 percent lies below the 4.6 percent value noted in 2006.

Bosque County reported a 4.1 percent unemployment rate in October; this statistic increased slightly to 4.2 percent in November, and then returned to 4.1 percent in December. The 4.5 percent average rate for last year falls below 2006’s 4.6 percent value.

Eastland County experienced an incline in its unemployment trend during the fourth quarter. This area’s jobless statistic changed from 3.8 percent in October to 3.9 percent in December. This county’s 4.3 percent average rate for all of last year dropped below the 4.7 percent figure recorded the year before.

The U.S. Bureau of Labor Statistics collects and publishes unemployment data for the United States and Texas, while the Texas Workforce Commission maintains data for counties. U.S. and state data are adjusted for normal seasonal fluctuations, while county data remain unadjusted.

iCind Cindy Pierce is a senior majoring in management at Tarleton State University and will graduate in May.

Building Permit Values Rebound in 2007

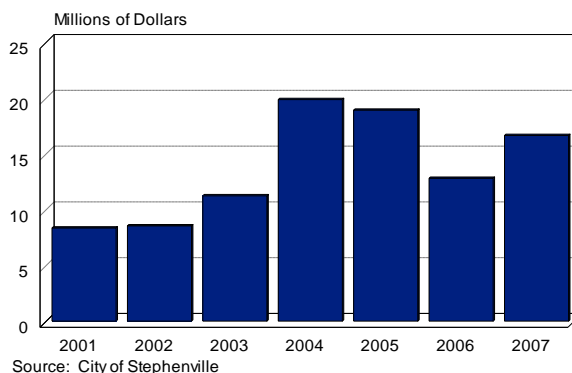
By Neil Knauth

Total 2007 building permit values in Stephenville increased 30.0 percent over the total for 2006, but fell 12.0 percent from the aggregate value in 2005, according to City of Stephenville reports.

Following a two-year decline in building permit values through 2005 and 2006, construction values in 2007 rose to an estimated \$16.6 million, compared to \$12.7 million in 2006. In terms of dollar values, new permits in 2007 spiked in January with the issuance of a permit for a new shopping center at 2811 West Washington (which includes Cold Stone Creamery and Wing Stop) and again in October, which saw the permits for a Holiday Inn Express, the Haley Dentistry Center, and the Mental Health/Mental Retardation clinic. The value of construction projects in January amounted to

BUILDING PERMITS

Stephenville, January - December



Source: City of Stephenville

\$2.7 million, and those in October totaled more than \$3.4 million.

City residents should note that all construction projects require permits, which may be obtained through Troy Curtis, Building Inspector for the City of Stephenville.

Information concerning permits for residential and commercial properties can be found on the city web site (<http://www.ci.stephenville.tx.us/>), or by calling the inspector's office at 254-965-7887.

Neil Knauth is a senior computer information systems major at Tarleton State University.

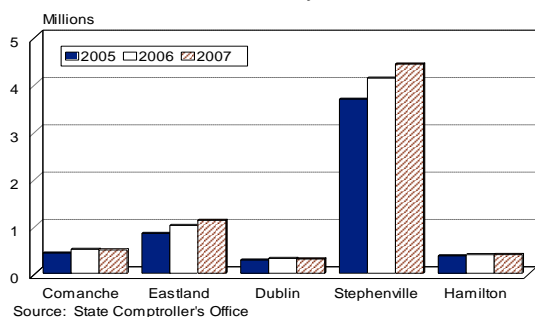
Tax Allocations Rise

By Matt Hillman

Numbers released by Texas State Comptroller Susan Combs show gains in county and city sales tax allocations throughout the state. Transportation systems and special purpose taxing districts also witnessed increases. Most Cross Timbers cities also reported advances.

SALES TAX ALLOCATIONS

Area Cities, January - December



The city of Comanche saw a decrease in their 2007 allocations to \$492,809 from 2006's \$504,435. Last year's figure is still 15.9 percent above the \$425,310 value recorded in 2005.

Dublin's \$312,100 allocation total for 2007 was down 3.5 percent from the 2006 figure but was up 8.5 percent from the 2005 total.

Eastland had the second largest tax allocation total for the area at \$1,117,200 and the highest percentage gain from the year before, at 10.6 percent. Eastland also noted the highest gain from 2005, with 32.9 percent.

Hamilton saw only slight improvement from 2006. Its \$394,665 total for 2007 is 0.8 percent greater than the value for the year before but was 7.7 percent above the 2005 aggregate.

Stephenville was the leader for the area in allocations with \$4,419,292 for 2007. This value is 7.2 percent higher than 2006 and 20.2 percent above the 2005 total.

The State Comptroller's Office collects and returns sales taxes collected to local governments on a monthly basis. These figures are based on cumulative data based on the years from 2005 to 2007.

Matt Hillman is a senior marketing major graduating in May at Tarleton State University where he will pursue a master's in the same field.

Milk Markets Continue Dynamic Trends

By Nelly DiCiccio

Erath County maintained the number one position for milk production throughout 2007. Comanche County fell from the third highest producing county in January of 2007 to the sixth position by December. These two Cross Timbers counties account for almost 21 percent of all milk produced in the state. However, Texas' production pattern continues to show fundamental shifts as more farmers move into northwestern areas of the state.

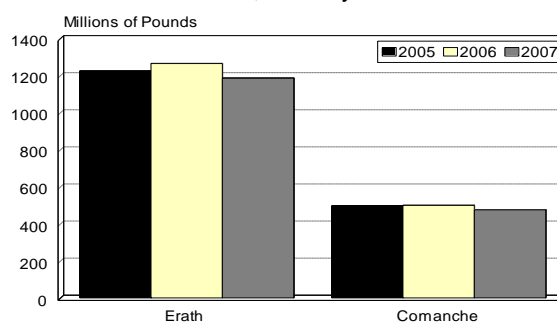
Erath County's dairy farmers produced 1.2 billion pounds of milk during 2007. This value represents losses of 6.3 percent from 2006 and 3.1 percent from 2005. Erath County maintained its position as Texas' top milk producer and accounted for 16.1 percent of the total state output in December 2007. Erath's decline in milk output was accompanied by a reduction in the number of dairy farmers. In January 2007, the County reported 98 dairy farmers; by December only 90 remained.

Comanche County fell from the third largest producer in January 2007, to sixth in December. County producers turned out 475.1 million pounds of milk from January through December. This value represents a loss of 4.8

percent when compared to the 2006 total, and a decline of 4.1 percent from the value posted in 2005. Dairy farmers in Comanche County produced 6.5 percent of the state's total output in December 2007. The county's decline in milk output was also accompanied by a reduction in the number of dairy farmers. In January 2007, Comanche reported 29 dairy farmers, but by December, only 28 remained.

MILK PRODUCTION

Area Counties, January - December



Perhaps the most significant trend in the state's milk market has been the movement of farms to the South Plains and Panhandle regions. In December 2007, seven of the state's top ten counties were located in these areas. Five years ago, only one came from this locale. Dairy farms in this area also tend to be much larger than producers in the Cross Timbers region. Deaf Smith and Castro Counties, for example, combined to produce almost twice as much output from 21 farms as Comanche County did with 29.

The question of whether this evolution will continue remains open. Although some west Texas counties are

registering triple-digit gains, others are showing weak advances, and still other are reporting declines.

Milk production data for the southwest marketing area are collected and published on monthly basis by the Market Administrator's office in Carrollton, Texas.

Nelly DiCiccio is a senior business management major at Tarleton State University.

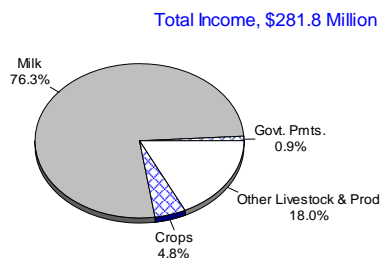
Milk Sales Contribute Bulk of Erath's Agricultural Receipts

By Chris Gabel

Due to higher prices, milk sales remained the major contributor to Erath County's agricultural income in 2007, according to the Texas AgriLife Extension Service. Farm revenues for 2007 totaled \$281.8 million, up from \$233.1 million a year ago. Revenues were derived from milk, other livestock and products, crops, and government payments.

AGRICULTURAL INCOME BY SOURCE

Erath County, 2007



Source: Agricultural Extension Service

Receipts from wholesale milk sales generated 76.3 percent of Erath County's total farm income in 2007. Last year's figure represents a 33.3 percent revenue boost over 2006, as sharply higher milk prices offset a moderate drop in production.

Excluding dairy, other livestock and product income fell 14.8 percent from the previous year to \$50.6 million. Crop related income of \$13.4 million saw the highest percentage increase (34.5 percent) compared to 2006. Government payments, with a growth of 14.1 percent, added \$2.5 million to the county's agricultural income in 2007.

Chris Gabel is a senior majoring in economics at Tarleton State University.

The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report (<http://www.tarleton.edu/~econ/ctbr.htm>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society, as well as other interested students. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.